

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
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In the Matter of an Investigation and Audit of
Northern States Power Company's Service
Quality Reporting

ISSUE DATE: October 13, 2006

DOCKET NO. E,G-002/C1-02-2034

ORDER EXTENDING TIME TO PROPOSE
SAIDI THRESHOLD CHANGE AND
REQUIRING PROPOSAL TO RESOLVE
EMERGENCY GAS REPORTING ISSUES

PROCEDURAL HISTORY

On September 17, 2004, the Commission issued its ORDER APPROVING SERVICE QUALITY REPORTING TARIFF AS MODIFIED. Under the provisions of its service quality tariff, Xcel files monthly and annual service quality reports, and makes under-performance payments if it does not meet the standards in its service quality tariff.

On February 28, 2006, Xcel submitted a letter requesting additional time (until March 1, 2007) to renegotiate and file for any changes to the system average interruption duration index (SAIDI) performance measure in its tariff. Xcel recommended that in the meantime the 98 minute SAIDI standard should remain in effect for 2006. Xcel stated that the Minnesota Department of Commerce (the Department) and the Residential and Small Business Utilities Division of the Office of the Attorney General (the RUD-OAG) did not oppose this request.

On April 3, 2006, Xcel submitted its annual service quality report. Xcel reported that it had not met its electric system outage standard or its telephone response time standard and would be required to make an under performance payment. Xcel also reported that it would have to pay a penalty for not issuing a sufficient number of monthly bills pursuant to its settlement agreement in the Merger Docket.¹

On May 10, 2006, the Commission issued its notice requesting comments on whether gas odor calls are included in the gas emergency response metric in Xcel's service quality tariff, and if so, whether Xcel owes under-performance payments for not meeting this standard.

On May 26 and June 13, 2006, the Commission granted Xcel's requests for extensions of the comment deadline.

¹ See *In the Matter of the Application of Northern States Power Company for Approval to Merge with New Century Energies, Inc.*, Docket No. E,G-002/PA-99-1031, ORDER APPROVING MERGER AS CONDITIONED (June 12, 2000).

On June 20, 2006, Xcel submitted its supplement to its annual service quality report. Xcel confirmed that it does not classify gas odor calls as emergencies or include its response to these calls in its service quality reports. Xcel requested the Commission direct Xcel, the Department and RUD-OAG to negotiate a resolution of this misunderstanding regarding this service quality standard and Xcel's service quality reports.

On July 12, 2006, the Department submitted comments stating that it understood Xcel's gas emergency response standard to include gas odor calls and agreed with Xcel that this standard needs to be renegotiated.

On July 12, 2006, RUD-OAG submitted comments recommending that the Commission find that the Gas Service Interruption metric included in Xcel's service quality tariff requires that all calls reporting gas odor, and performance in response to those calls, be reported. In addition, the RUD-OAG recommended that Xcel pay all applicable penalties under section 1.9 B, the Under Performance Payments section of its tariff.

On July 24, 2006, Xcel submitted its reply. Xcel agreed with the Department and disputed the RUD-OAG's recommendation that Xcel make additional under-performance payments.

The Commission met on August 17, 2006 to consider this matter.

FINDINGS AND CONCLUSIONS

I. Xcel's Electric System Service Interruption Performance Measures

A. Background

In its September 17, 2004 Order, the Commission approved Xcel's tariff which states

The SAIDI statewide goal set for the next two Performance Years will be 98 minutes. This measure will be renegotiated and filed with the PUC before March 1, 2006 for Performance Year 2006 based on data from the proposed Outage Management System.²

B. Xcel's Proposal

On February 28, 2006, Xcel submitted a letter requesting additional time (until March 1, 2007) to renegotiate any possible changes to the value of the SAIDI measure in its tariff and recommended the 98 minute SAIDI standard remain in effect for 2006. Xcel stated that the purpose of these negotiations would be to consider alternative methods of normalizing storm-related outage data and to evaluate the impact of Xcel's new outage management system (OMS) on its performance measures and service quality reports.³ Xcel believes the additional time would allow parties to consider an additional year's worth of data using Xcel's new OMS and would dampen the impact of severe storms that occurred in 2005 on its performance statistics.

² Xcel's Electric and Gas Rate Books, General Rules and Regulations, section 1.9 (Service Quality), paragraph E (Under Performance Measures), part 3 (SAIDI).

³ Xcel installed its new outage management system in October 2004.

C. The Department's Recommendations

The Department supported Xcel's request for additional time and stated that it is pleased Xcel is focused on improving the accuracy and transparency of the process it uses to calculate its performance statistics. The Department also supported Xcel's request to keep the current SAIDI threshold in effect for 2006 and recommended that Xcel be required to file a renegotiated SAIDI threshold by March 1, 2007.

The Department also requested that the Commission require another renegotiation of Xcel's reliability measure performance thresholds (both SAIDI and SAIFI) once the Company has provided five years of raw outage data under the new OMS with consistent outage count methodology. The Department further recommended that the Commission allow renegotiation of underlying definitions relating to reliability performance indices (e.g., storm day designation method) when the thresholds are renegotiated.

D. The Commission's Analysis and Action

The Commission finds that Xcel's request for additional time (until March 1, 2007) to renegotiate and refile any proposed changes to the value of the SAIDI threshold is reasonable. The Commission will direct Xcel to make a compliance filing to amend its tariff. In the meantime, the Commission will allow Xcel's 98 minute SAIDI standard in Xcel's service quality tariff to remain in effect for 2006.

In addition, the Commission will require another renegotiation of Xcel's reliability measure thresholds (both SAIDI and SAIFI) as requested by the Department, i.e., after the Company has provided five years of raw outage data under its new outage management system (OMS) with no changes in the way outages are counted.

As apart of the renegotiation of the reliability measure performance thresholds (both SAIDI and SAIFI), the parties will be authorized to renegotiate underlying definitions relating to reliability performance indices (e.g., storm day designation method) as necessary.

II. Emergency Gas Response Measure

A. Background

Xcel's service quality tariff includes the following language pertinent to Gas Service Interruption:

This service quality measure will track the Company's response time to customer emergency calls reporting gas leaks. Measured annually, the average on site response time exceeding 35 minutes will make under performance payments as follows:

Response time greater than 35, but less than 38 minutes	\$ 625,000
38 minutes but less than 41 minutes	\$ 937,500
41 minutes or greater	\$1,250,000

Commission staff learned from the Minnesota Office of Pipeline Safety that Xcel has not been including in its compliance reports the response times to customer complaints about gas odors. At its May 4, 2006 Agenda Meeting, the Commission directed its staff to request comments on whether Xcel should include response times to odor-related customer initiated trouble requests in

the gas emergency response times Xcel reports pursuant to the service quality tariff and whether Xcel owes a penalty for not meeting the gas service interruption/gas emergency response time standard in 2005.

B. Xcel's Comments

Xcel explained that it has historically categorized gas calls as E-1 calls or E-2 calls and prioritized response to them accordingly. According to the Company, calls determined to contain any of the following elements are categorized as an E-1 call and will be responded to at once:

- a fire or explosion is reported where Xcel Energy supplies natural gas to the location or area;
- a gas main or service is nicked, hit, cut or damaged and may or may not be blowing gas, or when a customer's meter or home appliance is blowing gas; or
- customer reports they smell a strong gas odor inside or smells the gas odor in more than one room.

The Company stated that E-2 calls are all other calls involving gas odors that present facts supporting investigation, but which do not elicit the same level of urgent response as an E-1 call.

Xcel denied that by not reporting odor-related complaints (E-2 calls) it was attempting to influence reported performance under the gas emergency response metric. The Company argued that it proposed the 35-minute threshold based on the Company's historical performance in responding to the Company's highest priority gas calls (E-1 calls), and therefore did not include in its report the lower priority and much more numerous "odor" calls (E-2 calls).

The Company stated that consistent with what it viewed as an E-1 experience-based metric, therefore, it had reported for 2005 only the E-1 calls (756 calls) and reported its average response time for those calls (26.02 minutes). In support of its argument that it had viewed the 35-minute threshold as applying only to E-1 calls, Xcel presented historic response data for E-1 calls and then for E-1 and E-2 from 2000 through 2005, as follows:

	E-1 Calls			E-1 and E-2 Odor Calls Combined		
	Count of Calls	Average Response Time	% of Calls with a response of 60 minutes or less	Count of Calls	Average Response Time	% of Calls with a response of 60 minutes or less
2000	959	21.74	97%	21,999	57.66	63%
2001	1,020	25.64	96%	19,609	55.83	68%
2002	865	23.85	98%	17,999	52.75	72%
2003	933	23.53	97%	17,164	51.11	75%
2004	969	24.20	97%	12,515	51.81	76%
2005	756	26.02	97%	16,870	56.88	71%

The Company noted that adoption of a 35-minute standard for E-1 and E-2 odor calls combined would have required a significant improvement in response times compared to its historical performance, a standard that the Company indicated it would not have proposed. The Company stated that it could have proposed a threshold based on the historic average of the E-1/E-2 odor calls, but that this would have resulted in a threshold number much greater than 35 minutes.

In sum, therefore, Xcel argued that as far as it was concerned the term “customer emergency calls” in the tariff was clear and referred to the Company’s E-1 calls. The Company acknowledged, however, that parties to the Merger Settlement apparently had different understandings of the 35-minute metric. The Company stated that it regretted the misunderstanding but was confident that the parties, working together, could reach an agreement that maintained the spirit and intent of the earlier negotiations both for 2004 and 2005 and on a going-forward basis.

C. The Department’s Comments

The Department stated that it had assumed that all calls from customers with a gas odor complaint would be considered “customer emergency calls” and reported as such. The Department also stated, however, that it recognized that the parties had different assumptions about what constitutes a customer emergency call. The Department gave credence to Xcel’s assertion that the Company would not have proposed a service quality threshold that it was unlikely to be able to meet.

Regarding what clarified reporting standard should be adopted on a going-forward basis, the Department disagreed with Xcel’s apparent comfort with maintaining historic levels of performance. The Department stated that a utility’s ability to respond to emergency situations in which lives may be at risk cannot be assessed solely on whether the utility continues to achieve the level of service it has achieved in the past. In addition, regarding the scope of the calls reported, the Department stated that Xcel’s response times to all emergency calls (including E-2 odor calls) should be reported to the Commission. Finally, the Department recommended that the Commission require Xcel to provide information regarding industry standards or averages and then set a new emergency call response time threshold based on industry standards and with input from the Minnesota Office of Pipeline Safety.

D. The RUD-OAG’s Comments

The RUD-OAG urged the Commission to conclude that the term “customer emergency calls” as used in the service quality tariff includes all customer-initiated calls reporting gas odor (E-1 calls and E-2 calls combined) and, accordingly, order Xcel to pay appropriate penalties for its failure to meet the gas service interruption metric contained in its tariff.

In support of its recommendation, the RUD-OAG argued that Xcel’s failure to report all odor-related calls is counter both to the plain language of the tariff and to the goal of public safety. The RUD-OAG argued that the service quality tariff was established to create new, higher performance standards and improved reporting, not to merely memorialize what NSP had historically done and metrics it could historically achieve.

E. The Commission’s Analysis and Action

The Commission agrees with the Department and Xcel. It does not appear that there was a meeting of the minds regarding the scope of calls that would be reported and which would be required to meet the 35 minute standard approved by the Commission in its September 17, 2004 Order in this matter. In these circumstances, it would be inappropriate to hold Xcel to the higher

performance standard as understood by the Department and the RUD-OAG, especially since the Commission's expressed purpose throughout this matter has been to investigate and correct as necessary Xcel's reporting of its achievement or non-achievement of existing performance standards rather than to raise those standards.

To illustrate: see the Commission's initial Order directing an audit of Xcel. The Commission described its motivation for and hence the scope of the audit as follows:

Serious allegations have been made regarding the integrity of Xcel's service quality **reporting**. The Commission is determined to get to the bottom of these issues. The Company has also recognized the seriousness of the allegations and has offered complete cooperation and to fund an independent audit of its service quality (repair and maintenance) **reporting**.⁴ [Emphasis added.]

In addition, the Commission's Order establishing a separate docket (the current docket) for this audit and investigation stated:

A separate docket (Docket No. E,G-002/CI-02-2034) is hereby established to investigate and audit Xcel's service quality **reporting**.⁵ [Emphasis added.]

Finally, in the Order accepting the Settlement agreement between Xcel, the Department, and the RUD-OAG, the Commission stated:

For the Commission then, the bottom of this matter is reached when the means have been identified to restore confidence in the integrity of a utility's reporting, an essential cornerstone of the regulatory compact. As properly delineated in *Fraudwise's* Final Report, then, the purpose of this investigation is **to ensure the accuracy of Xcel's outage reporting data**.⁶

At the same time, the parties' comments clearly show that the tariff wording in question ("customer emergency calls reporting leaks") requires clarification and a common understanding. In addition, depending upon the agreed upon meaning adopted by the Commission, the tariff may also require a corresponding adjustment of the 35 minute standard.

Accordingly, the Commission will direct the parties to discuss how to resolve the gas emergency response reporting issue. This discussion should also address prioritization standards, what directions the dispatchers are given, and how the prioritization standards relate to the benchmark

⁴ *In the Matter of an Inquiry Into Possible Effects of Financial Difficulties at NRG and Xcel on NSP and its Customers and Potential Mitigation Measures*, Docket No. E, G-002/CI-02-1346, ORDER REQUIRING ADDITIONAL INFORMATION AND AUDIT (October 22, 2002) at page 7.

⁵ *In the Matter of an Investigation and Audit of Northern States Power Company's Service Quality Reporting*, Docket No. E,G-002/C1-02-2034 (January 6, 2003) Order Paragraph 1, pages 3-4.

⁶ *In the Matter of an Investigation and Audit of Northern States Power Company's Service Quality Reporting*, Docket No. E,G-002/C1-02-2034 (March 10, 2004) at page 10.

times set for response. The parties' discussion should culminate in a proposal within 60 days. Finally, to aid this discussion, the Commission will direct Xcel to provide information regarding industry standards or averages relating to gas emergency response time, with the intent to re-evaluate the definition of "customer emergency calls reporting gas leaks" and its accompanying response time threshold.

ORDER

1. The Commission hereby grants Xcel's request for additional time (until March 1, 2007) to renegotiate and refile any proposed changes to the value of the SAIDI threshold in Xcel's service quality tariff. Xcel shall file any proposed changes to the value of the SAIDI threshold in Xcel's service quality tariff on or before March 1, 2007.
2. The Commission authorizes the 98 minute SAIDI standard in Xcel's service quality tariff to remain in effect for 2006.
3. Xcel's reliability measure performance thresholds (both SAIDI and SAIFI) shall be renegotiated once the Company has provided five years of raw outage data under its new outage management system (OMS) with consistent outage count methodology.
4. When the thresholds referred to in Order Paragraph 3 are renegotiated, Xcel, the Department, and the RUD-OAG will be authorized to renegotiate underlying definitions relating to reliability performance indices (e.g, storm day designation method) as necessary.
5. Xcel, the Department, and the RUD-OAG shall engage in discussion to resolve the gas emergency response reporting issues (the definition of "customer emergency calls reporting gas leaks" and its accompanying response time threshold). The parties should also discuss the Company's response prioritization standards, what directions the dispatchers are given, and how the prioritization standards relate to the benchmark times set for response. The parties shall file a proposal with the Commission regarding these items within 60 days of this Order.
6. As background information for the discussion ordered in Order Paragraph 5, Xcel shall provide information regarding industry standards or averages relating to gas emergency response time.
7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W.
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Executive Secretary

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